

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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MEMORANDUM

TO: Leominster Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: March 4, 2021

This Commission is hereby furnishing you with approval of the funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 of each fiscal year. The schedule is effective in FY21 and is acceptable under Chapter 32.

The schedule is based on an actuarial valuation using an investment return assumption of 5.5%, which we believe is quite conservative for funding purposes. The Board has used this assumption since its January 1, 2014 actuarial valuation. Despite that assumption, the system's funded ratio as of January 1, 2020 was 100.9%. For comparison, we did a very rough estimate of plan liabilities using a 6.50% discount rate. Under this assumption the plan would be overfunded by approximately \$22 million.

The prior schedule maintained the level of the FY19 appropriation (\$9.07 million) through FY22 with a lower appropriation payment in FY23 of \$5.3 million when the system was projected to become fully funded and a FY24 appropriation of \$2.3 million reflecting normal cost plus net 3(8)(c) payments. Under this schedule, the plan becomes fully funded in FY21 and the FY22 payment reflects normal cost plus net 3(8)(c) payments. Generally, we do not recommend reducing the appropriation to the level of the normal cost when a system attains 100% funding. Instead we recommend a more gradual reduction to mitigate potential investment and/or demographic losses.

If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

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LEOMINSTER RETIREMENT SYSTEM

Funding Schedule with 3(8)(c)

5.50% Discount Rate; MP-2019 mortality projection

Fiscal Year	Normal Cost	Unfunded Liability	Funding Amortization of UAAL	Net 3(8)(c) Payments	Schedule Contribution
2022	1,668,927	(9,171,685)	-	291,536	1,960,463

Amortization of Unfunded Liability as of July 1, 2021

Year	Type	Original Amort. Amount	Percentage Increasing	Original # of Years	Current Amort. Amount	Years Remaining
2022	Fresh Start	N/A	N/A	N/A	N/A	N/A